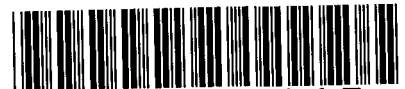


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AZ CORP COMMISSION
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Attorneys for Southwest Energy Efficiency Project

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

DEC 14 2011

GARY PIERCE, Chairman
BOB STUMP
SANDRA KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED BY

IN THE MATTER OF THE APPLICATION)
OF ARIZONA PUBLIC SERVICE COMPANY)
FOR A HEARING TO DETERMINE THE FAIR)
VALUE OF THE UTILITY PROPERTY OF THE)
COMPANY FOR RATEMAKING PURPOSES,)
TO FIX A JUST AND REASONABLE RATE)
OF RETURN THEREON, TO APPROVE RATE)
SCHEDULES DESIGNED TO DEVELOP SUCH)
RETURN.)

DOCKET NO. E-01345A-11-0224

**NOTICE OF FILING
WESTERN RESOURCE
ADVOCATES' COMMENTS
ON PRELIMINARY TERM
SHEET**

Western Resource Advocates ("WRA"), through its undersigned counsel, hereby
provides notice that it has this day filed the attached comments regarding the preliminary
term sheet filed in this case.

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1 DATED this 14th day of December, 2011.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

4
5 By 

6 Timothy M. Hogan

7 202 E. McDowell Rd., Suite 153

8 Phoenix, Arizona 85004

9 Attorneys for Southwest Energy Efficiency
10 Project

11 ORIGINAL and 13 COPIES of
12 the foregoing filed this 14th day
13 of December, 2011, with:

14 Docketing Supervisor

15 Docket Control

16 Arizona Corporation Commission

17 1200 W. Washington

18 Phoenix, AZ 85007

19 COPIES of the foregoing
20 Electronically mailed this
21 14th day of December, 2011 to:

22 All Parties of Record

23
24 
25

Western Resource Advocates (WRA) hereby submits comments on the preliminary settlement term sheet prepared as an interim product of the settlement process taking place in this Docket. It is WRA's understanding that the principal purpose of providing the term sheet to the Commission at this time is for the parties to obtain guidance from the Commission on whether and how to go forward with finalizing a settlement agreement. If the Commission indicates that the parties should keep working on a settlement agreement, WRA intends to continue to participate in settlement discussions.

Comments on Section G

Section G pertains to energy efficiency and, in limited part, to non-utility-owned distributed renewable energy generation. We believe that APS should continue to file implementation plans with the Commission to comply with the energy efficiency standard and renewable energy standard because of the very large benefits to customers and to Arizona of these programs. As pointed out in WRA's direct testimony, APS has designed and implemented an energy efficiency program that meets the Commission's requirements, greatly reduces wasteful consumption of electricity, and results in much lower costs for customers over the long run. For efficiency measures installed during the period 2009 through 2012, the net benefits¹ to society exceed half a billion dollars.

The term sheet recognizes that, for APS to comply with the Commission's energy efficiency and renewable energy standards, APS should recover fixed costs that would otherwise not be recoverable as a result of diminished kWh sales due to energy efficiency programs and to non-utility-owned distributed renewable energy projects.² The term sheet incorporates a lost fixed cost recovery mechanism (LFCR mechanism) for residential and small commercial customers. The term sheet also indicates that, for larger non-residential customers, a change in rate design would be used to solve the fixed cost recovery problem. In addition, residential customers will have an opportunity to opt out of the LFCR mechanism if they take service under a new optional rate schedule that will have a rate design intended to help APS better recover its fixed costs. The LFCR mechanism is a form of partial decoupling and is not full decoupling as originally proposed by APS, WRA, SWEEP, and NRDC in direct testimony or as approved by the Commission in the Southwest Gas rate case decision.

Comments on Section H

Section H addresses the coordination of the rate case with the Commission's pending decision on APS' acquisition of Southern California Edison's (SCE's) share of Four Corners Units 4 and 5 and early retirement of Four Corners Units 1-3. WRA has previously testified that the transaction between APS and SCE and the early retirement of Units 1-3 will save customers money, result in significant environmental improvements, and is in the public interest. The

¹ Net benefits equal benefits minus costs.

² Because of traditional rate design, APS recovers much of its fixed costs through energy (kWh) charges. As kWh sales diminish due to energy efficiency and non-utility-owned distributed renewable energy projects, APS' ability to fully recover its fixed costs is undermined. Hence, a fixed cost recovery mechanism is proposed.

term sheet indicates that the rate case docket would remain open to allow APS to file a request to include in rates the costs (and cost reductions) attributable to the Four Corners transaction and retirement of Units 1-3 consistent with the Commission's decision in the Four Corners case, if the Commission concludes that the transaction is prudent. WRA believes that this proposed provision is a reasonable way for the Commission to coordinate its actions in two interrelated dockets.

Conclusions

Depending on the Commission's directives, the parties may use the preliminary settlement term sheet as a starting point for continuing negotiations, given the guidance of the Commission on the structure and flexibility of any settlement, or discontinue negotiations.